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FISCAL IMPACT STATEMENT

LS 7066

BILL NUMBER: SB 307

NOTE PREPARED: Apr 11, 2005

BILL AMENDED: Apr 7, 2005

SUBJECT: Marion County Local Government.

FIRST AUTHOR: Sen. Young R Michael

FIRST SPONSOR: Rep. Behning

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill contains the following provisions:

Budget and Levy Review in Marion County: This bill provides that the general law concerning approval of budgets and tax levies of appointed boards does not apply to certain entities in Marion County that are covered by another statute. It requires the City-county Council in Marion County to review the proposed operating and maintenance budgets and tax levies of the entities and to adopt final operating and maintenance budgets and tax levies for them. It authorizes the City-county Council to reduce or modify but not increase an entity's proposed operating and maintenance budget or tax levy. The bill prohibits the city-county council from reducing or modifying an entity's budget or tax levy in a manner that would impair the rights of bondholders. It also provides that proposed operating and maintenance budget and tax levy of a taxing unit that is located within an excluded city or town shall be submitted to the city or town fiscal body.

Marion County Local Government: The bill establishes the Marion County Consolidation Study Commission. It requires the Commission to study the consolidation of local government in Marion County, including the consolidation proposed in the "Indianapolis Works" plan. It also requires the Commission to issue a final report to the Legislative Council before December 1, 2005. The bill appropriates \$45,000 to the Legislative Council to hire consultants that are necessary to assist the commission in reviewing and verifying information and data concerning the consolidation of local government in Marion County.

It allows Marion County to increase the County Option Income Tax rate for resident county taxpayers by not more than 0.3% (rather than only 0.1%), up to a maximum rate of 1%.

It creates the Department of Administration and Equal Opportunity in Marion County to replace the existing Department of Administration. It also provides that the Department of Administration and Equal Opportunity is responsible for payroll and other human resources and personnel functions for all city and county departments, offices, and agencies.

The bill provides that in Marion County the City Controller has all the powers and duties assigned to county auditors related to the fixing and reviewing of budgets, tax rates, and tax levies. It provides that the County Auditor is responsible for the issuance of warrants for payments from county and city funds. It specifies that the County Auditor is responsible for: (1) accounting; (2) payroll, accounts payable, and accounts receivable; (3) revenue and tax distributions; and (4) maintenance of property records; for all city and county departments, offices, and agencies. It provides that the County Auditor retains all the powers and duties assigned to county auditors under the property tax laws, other than the powers and duties related to the fixing and reviewing of budgets, tax rates, and tax levies. The bill also provides for the appointment of two deputy controllers by the Mayor of Indianapolis.

The bill requires the Mayor of Indianapolis to provide for independent evaluations and performance audits to determine the amount of any cost savings, operational efficiencies, or improved service levels that result from the consolidations.

Indianapolis Airport Authority: The bill also provides that a member of the airport authority for Marion County who represents a county adjacent to Marion County and in which the authority owns real property and owned the property before July 1, 2005, are voting members.

Office of Finance and Management: The bill establishes the Office of Finance and Management (the office). It specifies that the Controller is the director of the Office. It provides that the Office is responsible for: (1) budgeting; (2) financial reporting and audits; (3) purchasing; and (4) fixed assets; for all city and county departments, offices, and agencies. The bill also specifies that, except for the powers and duties reserved to the County Auditor, the Controller has the powers and duties otherwise assigned by law to county auditors.

Consolidation of Police Services: The bill allows the Marion County City-county Council to adopt an ordinance to consolidate the Indianapolis Police Department and the Marion County Sheriff's Department. It requires the ordinance to be adopted before July 1 of a year, and provides that the consolidation may not take effect earlier than January 1 following the year in which the ordinance is adopted. It requires the ordinance to specify which law enforcement officers of the Police Department and which law enforcement officers of the County Sheriff's Department shall be law enforcement officers of the consolidated law enforcement department.

The bill specifies that the ordinance must provide that the County Sheriff's Department shall be responsible for: (1) county jail operations and facilities; (2) emergency communications; (3) security for buildings and property owned by the city or the county; (4) service of civil process and collection of taxes under tax warrants; and (5) sex offender registration.

The bill allows the city-county council to: (1) adopt an ordinance providing that the law enforcement services of the airport authority are consolidated into the police department of the consolidated city or into the County Sheriff's Department; and (2) adopt an ordinance providing that the fire department of the airport authority is consolidated into the fire department of the consolidated city effective January 1, 2007.

Consolidation of Fire Protection Services: The bill provides that the fire department of a township in Marion

County may be consolidated into the fire department of the consolidated city if: (1) before January 1, 2006, the city-county council adopts an ordinance approving the consolidation; and (2) at the primary election in May 2006, a majority of the voters residing in that part of the township that is not within the fire special service district approve the consolidation. It provides that beginning January 1, 2007, the consolidated fire department shall provide fire protection services in the townships that vote in favor of consolidation. It provides that the property, equipment, records, rights, and contracts of a fire department consolidated into the fire department of the consolidated city are transferred to or assumed by the consolidated city on January 1, 2007. The bill also specifies that indebtedness related to fire protection services that is incurred before January 1, 2007, by the consolidated city remains the debt of the consolidated city and may only be paid from property taxes levied within the fire special service district.

The bill provides that if a consolidated fire department is established, the consolidated city, through the consolidated fire department, shall beginning January 1, 2007, establish, operate, and maintain emergency ambulance services in the townships in the county that are consolidated.

The bill also provides for the adjustment of maximum property tax levies after consolidation of law enforcement services or fire protection services.

Police and Fire Pensions: This bill provides that a person who was an employee beneficiary of the Sheriff's Pension Trust before the consolidation of the law enforcement departments and after the consolidation becomes a law enforcement officer of the consolidated law enforcement department remains an employee beneficiary of the Sheriff's Pension Trust. It provides that a person who was a member of the 1953 Fund or the 1977 Fund before the consolidation of the law enforcement departments and after the consolidation becomes a law enforcement officer of the consolidated law enforcement department remains a member of the 1953 Fund or the 1977 Fund.

The bill also provides that a firefighter who was a member of the 1977 fund before the effective date of a consolidation remains a member of the 1977 fund, and that a firefighter who was a member of the 1937 fund before the effective date of a consolidation remains a member of the 1937 fund.

Effective Date: (Amended) Upon Passage; July 1, 2005; January 1, 2006; January 1, 2007.

Explanation of State Expenditures: *Budget and Levy Review in Marion County:* The proposal provides that the Indianapolis-Marion County City-County Council must review and may reduce or modify but not increase a proposed operating and maintenance budget or tax levy for an airport authority, a health and hospital corporation, a public library, a capital improvement board of managers, and a public transportation corporation. As a result, state expenditures for property tax replacement credits (PTRC) and the state homestead credit payments could decrease to the extent that a limit or decrease in a local levy decreases PTRC and the state homestead credit payments made from the Property Tax Replacement Fund (PTRF). The PTRF is annually supplemented by the state General Fund.

The bill also prohibits the City-County Council from reducing or modifying an entity's budget or tax levy in a manner that would impair the rights of bondholders. This provision suggests that the Council could modify an entity's levy if it would not impair the rights of bondholders. This provision, however, will not have an impact on state PTRC because the state only pays PTRC on levies to debts initially incurred before December 31, 1983.

Marion County Consolidation Study Commission: The Marion County Consolidation Study Commission will be made up of the following 15 members:

- two members of the House of Representatives;
- two members of the Senate;
- one appointee of the mayor of Indianapolis;
- one Marion County township trustee;
- one elected Marion County township assessor;
- six Legislative Council appointees, one each from the Marion County Sheriff's Department, Indianapolis Police Department, and Indianapolis Fire Department; a full-time firefighter from a Marion County township; a member recommended each by the Marion County Alliance of Neighborhood Associations and Greater Indianapolis Chamber of Commerce; and two members of the Marion County City/County Council.

The bill requires the Commission to study local government consolidation as proposed in the "Indianapolis Works" plan. The Commission is to operate under the rules and procedures of the Legislative Council. During the 2004 interim, study committees with fewer than 16 members were allocated \$8,000 from funds appropriated to the Legislative Council from the state General Fund.

The Legislative Services Agency must provide support for the Commission. Expenses associated with the provision of staff can be covered within the level of existing resources. This bill will affect the Agency's budget in FY 2006 since the Commission is set to expire December 31, 2005.

The bill appropriates \$45,000 from the state General Fund in FY 2006 for the Commission to acquire professional assistance in performing its duties. A final report must be submitted to the Legislative Council concerning findings of the Commission by December 1, 2005.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) The following provisions may lead to cost savings by removing the duplication of services and increasing administrative efficiencies. Additionally, the bill includes other provisions that will have minor fiscal impacts on the townships, city, and county.

Budget and Levy Review in Marion County: Under this proposal, the City-County Council must review and adopt certain operating and maintenance budgets and tax levies, which would add additional levels of oversight in property tax rate matters in Marion County. This provision will result in additional administrative expenditures for the Council and the local units involved. The specific impact, however, is indeterminable.

Marion County COIT: The Marion County Income Tax Council would be allowed to adopt an ordinance to raise the County Option Income Tax rate by 0.3% to the maximum allowable rate of 1.0% in one year. The Council would likely be able to adopt an ordinance within existing resources. The County would be able to adopt such an ordinance before or after the effective date of the bill.

Department of Administration and Equal Opportunity: The bill creates the Department of Administration and Equal Opportunity in Marion County to replace the existing Department of Administration. The provision may lead to cost savings by removing the duplication of services and increasing administrative efficiencies. The fiscal impact is dependent on local action.

Indianapolis Airport Authority: This proposal could increase expenditures related to the Indianapolis Airport Authority Board. IC 8-22-3-8 provides that members of local airport authorities shall serve without compensation, unless the fiscal body of the entity (or if established by more than one entity, the fiscal bodies of the entities) chooses to provide a per diem for the members. The amount of the per diem may not exceed \$35 for each whole or part day a member is engaged in board activities. The members of the board shall also be paid their actual expenses.

(Revised) *Consolidation of Police Services:* This proposal allows the city-county legislative body to adopt an ordinance by majority vote to consolidate the County Sheriff department and city department. If consolidated, the County Sheriff department would provide for both the county and consolidated city: (1) county jail operations and facilities; (2) emergency communications; (3) sex offender registration; (4) security for buildings and property owned by the consolidated city, the county, or both; and (5) service of civil process and collection of taxes under tax warrants.

(Revised) *Consolidation of Fire Protection Services:* The bill allows the fire department of a township or fire protection territory to become consolidated with the city fire department if the city adopts an ordinance approving the consolidation and the voters of the township (outside of the special fire district and who are served by the township fire department) approve of the consolidation in the primary election in May 2006.

The eight suburban townships of Marion County had the following certified budgets, levies, and tax rates in CY 2005 with respect to fire-related funds.

CY 2005 Township Fire Budgets & Levies									
	Fire			Cumulative Fire			Fire Debt		
Township	Budget	Levy	Rate	Budget	Levy	Rate	Budget	Levy	Rate
Decatur	2,215,006	1,915,268	0.189	150,150	251,796	0.024	2,246,12	2,128,63	0.210
Franklin	4,158,110	2,924,170	0.161	400,000	355,986	0.019	777,364	1,073,40	0.059
Lawrence	9,490,570	7,225,589	0.205	1,215,00	782,097	0.022	0	0	0
Perry	9,367,977	6,387,918	0.197	2,214,68	695,394	0.021	0	0	0
Pike	9,186,091	9,660,391	0.202	1,265,05	1,304,29	0.027	0	0	0
Warren	10,997,61	6,139,748	0.205	700,000	751,441	0.025	740,737	718,640	0.024
Washingto	14,478,86	8,853,597	0.167	1,752,91	1,117,95	0.021	0	0	0
Wayne	14,121,36	15,344,65	0.477	1,400,74	864,262	0.026	5,174,41	4,816,09	0.149
TOTAL	74,015,59	58,451,34		9,098,53	6,123,23		8,938,64	8,736,77	

	Fire Pension			TOTAL		
Township	Budget	Levy	Rate	Budget	Levy	Rate
Decatur	0	0	0	4,611,282	4,295,701	0.4248
Franklin	0	0	0	5,335,474	4,353,563	0.2397
Lawrence	0	0	0	10,705,570	8,007,686	0.2273
Perry	469,811	168,188	0.0052	12,052,470	7,251,500	0.2242
Pike	0	0	0	10,451,141	10,964,687	0.2295
Warren	328,776	0	0	12,767,126	7,609,829	0.2552
Washington	1,104,188	407,975	0.0077	17,335,962	10,379,531	0.1959
Wayne	0	0	0	20,696,524	21,025,011	0.6544
TOTAL	1,902,775	576,163		93,955,549	73,887,508	

Note: The budgets listed in the above tables include certified plus additional appropriations where applicable.

Background - Fire Service Information: There are approximately 37 fire stations (including the Indianapolis International Airport station) in the eight suburban townships of Marion County.

(Revised) *Excluded Cities:* Three of the four excluded cities in Marion County (Beech Grove, Lawrence, and Speedway) operate a fire department and would have the option to be consolidated with the city fire department under the bill. If these departments were to consolidate into the city fire department, the same provisions applicable to other consolidating departments would apply to these departments.

(Revised) *Consolidation of Police and Fire Pensions:* This bill allows members of the 1937, 1953, and 1977 Funds to remain members of their respective funds if they become employees of the consolidated police or fire departments.

(Revised) *Office of Finance and Management:* The bill establishes the Office of Finance and Management to restructure the account and finance duties of the city and county. The Office would be responsible for all city and county departments, offices, and agencies in relation to: (1) budgeting; (2) financial reporting and audits; (3) purchasing; and (4) fixed assets. The Controller and two Deputy Controllers will head the Office and take on most of the County Auditor's responsibilities.

Explanation of Local Revenues: *Budget and Levy Review in Marion County:* The City-County Council may reduce or modify but not increase a proposed operating and maintenance budget or tax levy for certain local levies within Marion County. This provision could limit or decrease the amount of revenue that would be generated by local units.

Marion County COIT: Under the bill, Marion County would be allowed to pass an ordinance to raise the County Option Income Tax (COIT) rate by 0.3% in a year. Assuming the county adopted an ordinance in 2005, a 0.3% rate increase in Marion County would generate an estimated \$46.7 M in CY 2007. Under current law, a county that adopts COIT initially adopts at a 0.2% rate with an automatic yearly increase in the rate of 0.1% until the county reaches a rate of 0.6%. After reaching 0.6%, the county has the option to adopt another ordinance to further increase the rate by 0.1% per year until reaching the maximum allowable rate of 1.0%.

Impact to Marion County COIT Revenue: Under current law, Marion County could increase their COIT rate

by 0.1% for three successive years. (Under an ordinance adopted under current law, in the first year the county would receive an estimated \$15.6 M at an additional 0.1% rate. In the second year, the county would receive approximately \$31.1 M at an additional 0.2% rate. In the third year, the county would receive approximately \$46.7 M at a 0.3% rate.)

The following table exhibits the difference in the estimated revenue that could be received by Marion County under the proposal (0.3% rate increase in one year) against what Marion County could receive under an ordinance adopted under current law (0.1% rate increase per year for three successive years).

Year	Additional Revenue Under Proposed One-Time Rate Increase of 0.3%	Additional Revenue Under Current Law by Successive 0.1% Annual Rate Increases	Additional Revenue Impact to Marion County COIT
Year 1	\$46.7 M	\$15.6 M	\$31.1 M
Year 2	\$46.7 M	\$31.1 M	\$15.6 M
Year 3	\$46.7 M	\$46.7 M	\$0

Background: Currently, Marion County has a 0.7% COIT rate and is receiving a certified distribution of \$104,750,918 in CY 2005.

(Revised) *Property Tax Levies in General:* This bill could cause property tax levy authority to be transferred from several taxing units in the county to the consolidated city unit. Most of these levies would move from a smaller, more localized tax base to a broader tax base. So, all of these localized tax levies would be spread over a larger base. The exception would be for police-related levies as they apply to excluded cities. If part of the county levy for sheriff services is moved to the consolidated city, then the taxpayers in an excluded city that does not join the consolidation would no longer help pay for that part of the county levy.

(Revised) *Maximum Levy Adjustments - Police Services:* The DLGF, on recommendation from the state's Local Government Tax Control Board, would adjust both the consolidated city and county maximum permissible levies to reflect the consolidation. While not required by the bill, it is assumed that the total police-related adjustments to maximum levies made by the DLGF would have a net change of zero.

(Revised) *Maximum Levy Adjustments - Fire Services:* The bill would increase the consolidated city's maximum levy by (1) the amount of the fire fund maximum levy of each township that joins and (2) the amount of an excluded city's maximum levy used for fire protection of each excluded city that joins, the consolidated fire department. The bill requires the maximum levy of the former units to be reduced by the same amount. The amount of increase to the consolidated city's maximum levy and the reduction to the township and excluded city maximum levies would be the same.

(Revised) *Cumulative Fire Levies:* The bill would establish a cumulative fire fund in the consolidated city. The amount currently levied for cumulative fire funds by the townships and excluded cities that join the consolidation would compose the new levy for the consolidated city cumulative fund.

(Revised) *Fire Debt Levies:* Under the proposal, townships and excluded cities would continue to be responsible for the payment of debt service on fire-related obligations incurred before the consolidation.

Likewise, the consolidated city would pay debt service only from property taxes within the fire special service district (current IFD district) for all fire-related obligations incurred by the city before the consolidation.

State Agencies Affected: Department of Local Government Finance, Legislative Council, Department of State Revenue, State Budget Agency.

Local Agencies Affected: Indianapolis-Marion County City-County Council, Airport Authority, Health and Hospital Corporation, Public Library, Capital Improvement Board of Managers, and Public Transportation Corporation.

Information Sources: State Budget Agency: Local option income tax collections data.

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